

Name	Social Security Number
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1. Enter the taxable income from your <b>1999</b> Form N-11, line 24; Form N-12, line 38; or Form N-15, line 40.....	<b>1</b>	
2. Enter your <b>elected farm income</b> (see Instructions) .....	<b>2</b>	
3. Line 1 minus line 2. If zero or less, enter -0- .....	<b>3</b>	
4. Figure the tax on the amount on line 3. Use the <b>1999</b> Tax Table, Tax Rate Schedules, or Capital Gains Tax Worksheet, whichever applies (see Instructions).....	<b>4</b>	
5. If you used Form N-168 to figure your tax for 1998, enter the amount from line 11 of that Form N-168. Otherwise, enter the taxable income (but not less than zero) from your <b>1996</b> Form N-11, line 24; Form N-12, line 36; or Form N-15, line 38 (see Instructions) .....	<b>5</b>	
6. Divide the amount on line 2 by 3.0 and enter here .....	<b>6</b>	
7. Add lines 5 and 6.....	<b>7</b>	
8. Figure the tax on the amount on line 7. Use the <b>1996</b> Tax Rate Schedules or Capital Gains Tax Worksheet, whichever applies (see Instructions) .....	<b>8</b>	
9. If you used Form N-168 to figure your tax for 1998, enter the amount from line 15 of that Form N-168. Otherwise, enter the taxable income (but not less than zero) from your <b>1997</b> Form N-11, line 24; Form N-12, line 37; or Form N-15, line 38 (see Instructions) .....	<b>9</b>	
10. Enter the amount from line 6 .....	<b>10</b>	
11. Add lines 9 and 10.....	<b>11</b>	
12. Figure the tax on the amount on line 11. Use the <b>1997</b> Tax Rate Schedules or Capital Gain Tax Worksheet, whichever applies (see Instructions) .....	<b>12</b>	
13. If you used Form N-168 to figure your tax for 1998, enter the amount from line 3 of that Form N-168. Otherwise, enter the taxable income (but not less than zero) from your <b>1998</b> Form N-11, line 24; Form N-12, line 38; or Form N-15, line 39 (see Instructions) .....	<b>13</b>	
14. Enter the amount from line 6 .....	<b>14</b>	
15. Add lines 13 and 14.....	<b>15</b>	
16. Figure the tax on the amount on line 15. Use the <b>1998</b> Tax Rate Schedules or Capital Gains Tax Worksheet, whichever applies (see Instructions) .....	<b>16</b>	
17. Add lines 4, 8, 12, and 16.....	<b>17</b>	
18. If you used Form N-168 to figure your tax for 1998, enter the amount from line 12 of that Form N-168. Otherwise, enter the tax from your <b>1996</b> Form N-11, line 26; Form N-12, line 37; or Form N-15, line 39 (see Instructions).....	<b>18</b>	
19. If you used Form N-168 to figure your tax for 1998, enter the amount from line 16 of that Form N-168. Otherwise, enter the tax from your <b>1997</b> Form N-11, line 26; Form N-12, line 38; or Form N-15, line 39 (see Instructions).....	<b>19</b>	
20. If you used Form N-168 to figure your tax for 1998, enter the amount from line 4 of that Form N-168. Otherwise, enter the tax from your <b>1998</b> Form N-11, line 26; Form N-12, line 39; or Form N-15, line 40 (see Instructions).....	<b>20</b>	
21. Add lines 18 through 20 .....	<b>21</b>	
22. Line 17 minus line 21. If the result is less than the tax figured on the taxable income on line 1 above using the <b>1999</b> Tax Table, Tax Rate Schedules, or Capital Gains Tax Worksheet, also include this amount in the total tax on Form N-11, line 26; Form N-12, line 39; or Form N-15, line 41.....	<b>22</b>	

**STATE OF HAWAII — DEPARTMENT OF TAXATION**  
**1999 INSTRUCTIONS FOR FORM N-168**  
**FARM INCOME AVERAGING**

## **GENERAL INSTRUCTIONS**

Use Form N-168 to elect to figure your 1999 tax by averaging, over the previous 3 years, all or part of your 1999 taxable income from your trade or business of farming. Making this election may give you a lower tax if your 1999 income from farming is high and your taxable income for one or more of the 3 prior years was low.

You will need copies of your Forms N-11, N-12, or N-15 that you filed for 1996, 1997, and 1998 to figure your tax on Form N-168. If you do not have copies of those returns, you can get them by filing Form L-72, Request for Copies of Income Tax Return. Form L-72 may be obtained from any district tax office, by mail, or via the Internet at:

[www.state.hi.us/tax](http://www.state.hi.us/tax)

You do not have to recompute, because of this election, the tax liability of any minor child who was required to use your tax rates in the prior years.

## **SPECIFIC INSTRUCTIONS**

**Line 2** — To figure elected farm income, first figure your taxable income from farming. Taxable income from farming includes all income, gains, losses, and deductions attributable to any farming business. However, it does not include gain from the sale or other disposition of land. Generally, farm income, gains, losses, and deductions are reported on:

- Capital Gain/Loss Worksheet in the Form N-11/N-12 or Form N-15 instruction booklet,
- Federal Schedule E, Part II,
- Federal Schedule F, and
- Schedule D-1.

Your elected farm income is the amount of your taxable income from farming that you choose to include on line 2. You do not have to include all of your taxable income from farming on line 2. It may be to your advantage to include less than the full amount, depending on how the amount you include on line 2 affects your tax bracket for the current and prior 3 tax years.

If your taxable income from farming is more than the amount shown on line 1, you should not enter on line 2 more than the amount shown on line 1. Otherwise, you may not receive the maximum benefit from income averaging.

**Farming Business.** A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. This includes:

- Operating a nursery or sod farm.
- Raising or harvesting of trees bearing fruits, nuts, or other crops.

- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots).
- Raising, shearing, feeding, caring for, training, and managing animals.

A farming business does not include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by another.
- Merely buying or reselling plants or animals grown or raised by another.

**Line 4** — Figure the tax on the amount on line 3 using the 1999 Tax Table, Tax Rate Schedules, or Capital Gains Tax Worksheet from your 1999 Form N-11/N-12 or Form N-15 instruction booklet. Enter the tax on line 4.

**Lines 5, 9, and 13** — If you used the 1998 Form N-168 to figure your tax and included the amount from line 22 of that Form N-168 on your 1998 Form N-11, line 26; Form N-12, line 39; or Form N-15, line 40; enter the amount from the appropriate line of that Form N-168 on lines 5, 9, and 13. Otherwise, enter your taxable income for the applicable year. If you did not file a tax return for 1996, 1997, or 1998, enter the amount you would have reported as your taxable income had you filed a return. If you amended your return or the State Department of Taxation made changes to it, enter the corrected amount.

**Note:** Do not enter less than zero on line 5, 9, or 13.

**Line 8** — Figure the tax on the amount on line 7 using either the 1996 Tax Rate Schedules or the Tax on Capital Gains Worksheet on page 2 of the instructions.

**Line 12** — Figure the tax on the amount on line 11 using either the 1997 Tax Rate Schedules or the Tax on Capital Gains Worksheet on page 2 of the instructions.

**Note:** If you filed Form N-15 for 1997, the computation to figure taxable income uses total income and deduction amounts from Column A.

**Line 16** — Figure the tax on the amount on line 15 using either the 1998 Tax Rate Schedules or the Tax on Capital Gains Worksheet on page 2 of the instructions.

**Note:** If you filed Form N-15 for 1998, the computation to figure taxable income uses total income and deduction amounts from Column A.

**Lines 18, 19, and 20** — If you used the 1998 Form N-168 to figure your tax and included the amount from line 22 of that Form N-168 on your 1998 Form N-11, line 26; Form N-12, line 39; or Form N-15, line 40; enter the amount from the appropriate line of that Form N-168 on lines 18, 19, and 20. Otherwise, enter your tax for the applicable year. If you amended your return or the State Department of Taxation made changes to it, enter the corrected amount. Do not include any amount from Forms N-2, N-103, N-152, N-312, N-405, N-586, or N-814.

### Tax Rate Schedules for Years 1996 - 1998

#### Schedule I - Use if your filing status is Single or Married filing separately

If your taxable income is:	Your tax is:
Not over \$1,500.....	2% of taxable income
Over \$1,500 but not over \$2,500 .....	\$ 30.00 plus 4% over \$1,500
Over \$2,500 but not over \$3,500 .....	\$ 70.00 plus 6% over \$2,500
Over \$3,500 but not over \$5,500 .....	\$ 130.00 plus 7.25% over \$3,500
Over \$5,500 but not over \$10,500 .....	\$ 275.00 plus 8% over \$5,500
Over \$10,500 but not over \$15,500 .....	\$ 675.00 plus 8.75% over \$10,500
Over \$15,500 but not over \$20,500 .....	\$ 1,112.50 plus 9.5% over \$15,500
Over \$20,500 .....	\$ 1,587.50 plus 10% over \$20,500

#### Schedule II - Use if your filing status is Married filing jointly or Qualifying Widow(er)

If your taxable income is:	Your tax is:
Not over \$3,000.....	2% of taxable income
Over \$3,000 but not over \$5,000 .....	\$ 60.00 plus 4% over \$3,000
Over \$5,000 but not over \$7,000 .....	\$ 140.00 plus 6% over \$5,000
Over \$7,000 but not over \$11,000 .....	\$ 260.00 plus 7.25% over \$7,000
Over \$11,000 but not over \$21,000 .....	\$ 550.00 plus 8% over \$11,000
Over \$21,000 but not over \$31,000 .....	\$ 1,350.00 plus 8.75% over \$21,000
Over \$31,000 but not over \$41,000 .....	\$ 2,225.00 plus 9.5% over \$31,000
Over \$41,000 .....	\$ 3,175.00 plus 10% over \$41,000

#### Schedule III - Use if your filing status is Head of Household

If your taxable income is:	Your tax is:
Not over \$1,500.....	2% of taxable income
Over \$1,500 but not over \$2,500 .....	\$ 30.00 plus 3% over \$1,500
Over \$2,500 but not over \$3,500 .....	\$ 60.00 plus 4.5% over \$2,500
Over \$3,500 but not over \$5,500 .....	\$ 105.00 plus 5.9% over \$3,500
Over \$5,500 but not over \$11,000 .....	\$ 223.00 plus 7.25% over \$5,500
Over \$11,000 but not over \$21,000 .....	\$ 621.75 plus 8.6% over \$11,000
Over \$21,000 but not over \$41,000 .....	\$ 1,481.75 plus 9.6% over \$21,000
Over \$41,000 .....	\$ 3,401.75 plus 10% over \$41,000

### Tax on Capital Gains Worksheet for Years 1996 - 1998

1. Enter your taxable income.....
2. Enter your net long-term capital gain (Form 1040 or 1040PC, Schedule D) (as refigured).....
3. Combine your Hawaii long-term adjustments, if any, and enter the total here (as refigured) .....
4. Combine lines 2 and 3. This is your Hawaii net long-term capital gain .....
5. Enter your net capital gain (Form 1040 or 1040PC, Schedule D) (as refigured) .....
6. Combine your Hawaii short-term adjustments, if any, and enter the total here (as refigured) .....
7. Combine lines 3, 5, and 6. This is your Hawaii net capital gain .....
8. Enter the **smaller** of line 4 or line 7 .....
9. If you filed Form N-158, enter the amount from line 4e of Form N-158.....
10. Line 8 minus line 9. If this amount is zero or less, **stop here**; you **cannot** use this worksheet to figure your tax. Instead, use the Tax Rate Schedules shown above.....
11. Line 1 minus line 10 .....
12. Enter the amount shown below for the filing status you claimed.....
 

Single or Married filing separately—	\$3,500
Married filing jointly or Qualifying widow(er)—	7,000
Head of household—	5,500
13. Enter the **greater** of line 11 or line 12 .....
14. Line 1 minus line 13. This is the amount of net capital gains eligible for alternative tax. ....
15. Compute the tax on the amount on line 13 using the Tax Rate Schedules shown above. ....
16. Multiply line 14 by 7.25% (.0725) and enter the result.....
17. Line 15 plus line 16 .....
18. Figure the tax on the amount on line 1. Use the Tax Rate Schedules shown above.....
19. **Tax.** Enter the **smaller** of line 17 or 18 here and on the appropriate line of Form N-168 .....

**Note:** If you filed Form N-15 for 1997 or 1998, the computation to figure taxable income uses total income and deduction amounts from Column A. Therefore, the Tax on Capital Gains Worksheet for 1997 and 1998 should be completed using amounts from Column A of your 1997 or 1998 Form N-15.